

Message Text

CONFIDENTIAL

PAGE 01 REYKJA 00635 01 OF 02 051814Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07
NSAE-00 PA-01 SS-15 PRS-01 SP-02 TRSE-00 NSC-05
NSCE-00 SSO-00 USIE-00 DODE-00 EURE-00 INRE-00
EB-07 OMB-01 /066 W
-----051838Z 021068 /40

O R 051634Z MAY 77
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC IMMEDIATE 7273
INFO COMICEDEFOR

C O N F I D E N T I A L SECTION 1 OF 2 REYKJAVIK 0635

COMICEDEFOR FOR ADMIRAL BERNSTEIN

E.O. 11652: GDS
TAGS: PFOR, MARR, IC, US, NATO
SUBJECT: US DECISION RE CIVILIAN AIR TERMINAL: COMMENTS ON
PRIME MINISTER'S REACTION

REF: (A) REYKJAVIK 0629
(B) STATE 100885
(C) REYKJAVIK 618
(D) REYKJAVIK 157
(E) REYKJAVIK 220

1. PRIME MINISTER'S REACTION TO USG DECISION (REFTEL A)
HAS IMPLICATIONS FOR NEAR TERM US-ICELANDIC RELATIONS
THAT CANNOT HELP BUT BE NEGATIVE. IN PRESENTING HIS
REQUEST TO VICE PRESIDENT ON JANUARY 29, HALLGRIMSSON
STAKED SIGNIFICANT MEASURE OF HIS PRESTIGE AS LEADER OF
GOVERNMENT AND OF INDEPENDENCE PARTY ON OUR REPLY. USG
TURN-DOWN HAS NOW PUT HIM IN PERSONALLY EMBARRASSING
RELATIONSHIP TO BOTH PARTY AND COALITION PARTNERS. HE
HAS, ON OCCASION, BEEN CRITICIZED WITHIN HIS OWN
INDEPENDENCE PARTY FOR HIS ALLEGED LACK OF PERSONAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 REYKJA 00635 01 OF 02 051814Z

DECISIVENESS AND FOR HIS ALL-OUT SUPPORT OF IDF
PRESENCE. ALTHOUGH HE WILL UNDOUBTEDLY BE RE-ELECTED
PARTY CHAIRMAN AT ITS ANNUAL CONVENTION THIS WEEK, HIS
INABILITY TO PRODUCE ON CIVILIAN TERMINAL WILL STIMULATE
THESE CRITICISMS FURTHER AND WORK TO HIS DISADVANTAGE
AND PROBABLY TO OURS IN THAT HE MAY BE PUSHED INTO
POSITIONS REGARDING RELATIONS WITH USG ON DEFENSE ISSUES

WHICH HE PERSONALLY WOULD PREFER NOT TO TAKE.

2. PRIME MINISTER'S REACTION, I AM CERTAIN, WAS ALSO AFFECTED BY CURRENT POLITICAL TENSION IN COUNTRY ARISING OUT OF THREAT OF GENERAL STRIKE AND REAL RISK THAT HE MAY BE FORCED TO ACCEPT INFLATIONARY WAGE SETTLEMENT THAT WILL ERODE SUBSTANTIAL PROGRESS HIS GOVERNMENT HAS MADE IN BRINGING INFLATION RATE DOWN FROM 50 PERCENT LEVEL OF PREVIOUS LEFTIST REGIME TO CURRENT 25 PERCENT FIGURE. AS WAGE NEGOTIATIONS BETWEEN TRADE UNIONS AND EMPLOYERS APPROACH CLIMAX WITH GOVERNMENT HOVERING IN WINGS, HE ALREADY HAS ONE MONKEY ON HIS BACK. FOR REASONS INDICATED PARA 1 ABOVE, HE PROBABLY FEELS USG HAS NOW ADDED ANOTHER. ALSO, OUR ANSWER, COMING SO SOON AND WITHOUT WARNING AFTER HIS STRONG ENDORSEMENT OF CONTINUED CLOSE RELATIONS WITH USG AND OF IDF PRESENCE IN ALTHING ON APRIL 28 (REFTEL C) COULD NOT HELP BUT MAKE HIM FEEL HE HAD BEEN HIT HARD, AND HE REACTED ACCORDINGLY. DCM CHRISTENSEN WHO ACCOMPANIED ME TO MEETING HAD IMPRESSION OUR RESPONSE STUNNED PRIME MINISTER ALMOST AS THOUGH HE HAD CONFIDENTLY EXPECTED TO BE TOLD SOMETHING DIFFERENT.

3. ONE OTHER ELEMENT UNDOUBTEDLY CONTRIBUTED TO HIS REACTION: HIS VIEW THAT OUR RESPONSE WAS TOTAL REJECTION OF HIS REQUEST AND NOTHING MORE THAN SIMPLE REITERATION OF 1974 USG POSITION. IN REQUESTING THAT WE HELP FINANCE CONSTRUCTION OF TERMINAL HE HAD, IN EFFECT, ASKED THAT WE LOOK AHEAD, NOT BACKWARD, BY EXAMINING HIS REQUEST IN CONTEXT OF CHANGED ICELANDIC POLITICAL CLIMATE WHICH
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 REYKJA 00635 01 OF 02 051814Z

WILL AFFECT OUTCOME OF UPCOMING NATIONAL ELECTIONS. AS HE SEES IT, WE HAVE NOW TOLD HIM THAT 1974 ARRANGEMENT REMAINS BEDROCK OF OUR SECURITY RELATIONSHIP AND THAT WE DO NOT BELIEVE FRESH LOOK IS REQUIRED. OBVIOUSLY, HE DISAGREES SINCE, AS HE TOLD THE VICE PRESIDENT (REFTEL D) OUR TENURE AT KEFLAVIK DEPENDS DIRECTLY ON WHETHER THE INDEPENDENCE PARTY WILL LEAD THIS COUNTRY'S NEXT GOVERNING COALITION. IN THIS, WE BELIEVE HE IS RIGHT. (REFTEL E)

4. QUESTION, THEN, IS WHAT PRIME MINISTER WILL NOW DO. I DOUBT THAT HE WILL DO ANYTHING THAT WILL BASICALLY AFFECT EITHER OUR TENURE OF THE BASE OR ITS OPERATIONAL READINESS. IN CONTRAST TO LEADERSHIP OF HIS PROGRESSIVE PARTY COALITION PARTNERS, HE IS COMMITTED TO DEFENSE ARRANGEMENTS, APPRECIATES THEIR IMPORTANCE AND IS PERSONALLY A MODERATE BY TEMPERAMENT. NEVERTHELESS, HE WILL FEEL COMPELLED TO SHOW THAT HE HAS NOT ACCEPTED OUR DECISION QUIETLY, AND HIS RESPONSE WILL PROBABLY TAKE THE FORM, AS HE INDICATED YESTERDAY, OF ACKNOWLEDGING SENTIMENT

WITHIN HIS OWN PARTY FOR FRESH LOOK AT THE FINANCIAL
RELATIONSHIP OF THE BASE TO ICELAND. IN THIS CONTEXT,
HE COULD TELL HIS ADMINISTRATORS TO PRESS HARD FOR A
RESOLUTION IN ICELAND'S FAVOR OF VARIOUS OUTSTANDING FINANCIAL
ISSUES, E.G., ROAD MAINTENANCE FEES, ELECTRICITY RATES, ETC.
ON WHICH DECISIONS UP TO NOW HAVE EITHER BEEN
FINESSED OR POSTPONED TO FINANCIAL ADVANTAGE OF BASE.
THESE CHARGES IF IMPOSED COULD BE COSTLY. IN THE CASE
OF ROAD MAINTENANCE CHARGE, THEY COULD RESULT IN ANNUAL
PAYMENTS BY THE BASE IN THE ORDER OF \$791,000 -
\$836,000, (UP FROM CURRENT ANNUAL RATE OF \$7650) TO
RELECT CHANGED DOLLAR VALUE OF KRONUR. "PRICE EQUALI-
ZATION" OF ELECTRICITY INVOLVES GOI RETROACTIVE CLAIM
OF APPROXIMATELY \$330,000. DESPITE HIS EXPRESSED
DISTASTE FOR QTE RENT UNQTE, PRIME MINISTER COULD ALSO
REQUEST THAT WE AGREE TO OFFSETTING FINANCING ARRANGEMENTS
THAT IN HIS JUDGMENT WOULD MORE ACCURATELY REFLECT THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 REYKJA 00635 01 OF 02 051814Z

VALUE OF THE NATO BASE TO THE US AND TO OUR NATO
PARTNERS. FINALLY, WE INCLUDING BASE AUTHORITIES, MAY
FIND ICELANDIC OFFICIALS LESS COOPERATIVE AND UNDERSTANDING
WHEN EMBARRASSING PROBLEMS ARISE IN CONNECTION WITH BASE,

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 REYKJA 00635 02 OF 02 051805Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-07
NSAE-00 PA-01 SS-15 PRS-01 SP-02 TRSE-00 NSC-05
NSCE-00 SSO-00 USIE-00 DODE-00 EURE-00 INRE-00
EB-07 OMB-01 /066 W

-----051839Z 020798 /40

O R 051634Z MAY 77

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC IMMEDIATE 7274

INFO COMICEDEFOR

C O N F I D E N T I A L SECTION 2 OF 2 REYKJAVIK 0635

COMICEDEFOR FOR ADMIRAL BERNSTEIN

OR WHEN WE SEEK THIER COOPERATION ON OTHER MATTERS.
THUS, WE SHOULD NOT ASSUME THAT IN PROVIDING HIM THE
ANSWER ON THE TERMINAL THAT WE ARE HOME FREE. WE ARE
NOT, AND CONCERNED WASHINGTON AGENCIES SHOULD PLAN
ACCORDINGLY.

5. IN CONCLUDING, I WISH EXPRESS APPRECIATION FOR
AUTHORIZATION TO INFORM PRIME MINISTER OF THE USG
RESPONSE. I THINK IT WOULD HAVE BEEN MOST UNFORTUNATE,
GIVEN ITS NATURE, IF RESPONSE HAD BEEN DELIVERED TO HIM
THROUGH HIS FOREIGN MINISTER, THEREBY ADDING TO
EMBARRASSMENT HE MUST ALREADY FEEL. I DID NOT,
INCIDENTALLY, INDICATE THAT OUR RESPONSE ON THE TERMINAL
WAS IN ANY WAY INFLUENCED BY AGUSTSSON'S ALTHING COMMENTS
OF APRIL 26. TO DO SO WOULD HAVE IMPLIED THAT AGUSTSSON'S
VIEWS ON OUR SECURITY RELATIONSHIP WERE MORE IMPORTANT IN
OUR DECISION-MAKING PROCESS THAN THOSE OF HIS PRIME
MINISTER.

BLAKE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, CONSTRUCTION, GOVERNMENT REACTIONS, FOREIGN ASSISTANCE, AIRPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 05-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977REYKJA00635
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770158-0436
Format: TEL
From: REYKJAVIK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770589/aaaaczjg.tel
Line Count: 189
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 166a179a-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 REYKJAVIK 629, 77 STATE 100885, 77 REYKJAVIK 618, 77 REYKJAVIK 157, 77 REYKJAVIK 220
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2628147
Secure: OPEN
Status: NATIVE
Subject: US DECISION RE CIVILIAN AIR TERMINAL: COMMENTS ON PRIME MINISTER'S REACTION
TAGS: PFOR, MARR, IC, US, NATO
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/166a179a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009